

TOBACCO OBSERVER

TOBACCO AND THE ECONOMY

A GROWER'S PERSPECTIVE...

"Why do I grow tobacco? I was raised on this farm; I helped my Dad. It's a way of life. Of course, we have beef cattle as well, but tobacco has been our livelihood through the years.

"Growing tobacco is not easy; it's hard work. In terms of labor, it takes approximately 250 man-hours of work per acre of tobacco. And, it seems like the 1980s have been very difficult years because of dry weather.

"But, I know of no other crop that yields gross dollars per acre as well as tobacco. Some of my neighbors [former tobacco growers] are growing vegetables, and I wish them luck, but as of now, I know of nothing like tobacco."

Henry West
Burley tobacco farmer
Paint Lick, KY

A WAREHOUSE OPERATOR'S THOUGHTS...

"I store processed tobacco in my 180,000 square foot warehouse. We've had years when we've done more and some when we've done less but, on average, we store 10,000-12,000 tons of tobacco per year for export.

"I employ 14 workers and pay my employees twice the going rate for [other industries'] warehouse workers in Wilmington.



PHOTO:
FAM
BAREFOOT

"When the processed tobacco comes in by transport, my workers unload it with specialized equip-

For many people, the tobacco industry is only cigarette manufacturers. In fact, the tobacco industry is much, much more.

It is the farmer, the auctioneer, the manufacturer and wholesaler, right through to the retailer, and more.

Supplier industries, integral components of the tobacco economy, include paper and packaging manufacturers, transportation services, warehousing, and more.

Millions of jobs are generated or supported by the tobacco industry. Those workers employed in the various sectors of the industry earn billions of dollars in wages, which they use to purchase goods and services within their communities.

To demonstrate that tobacco has a major presence in virtually every region and industry in America, *The Tobacco Observer* asked people employed in or affected by the industry to tell us about their roles in the tobacco "family" and what tobacco means to them.

ment... The cases are inspected and placed in storage. When ordered out of storage, they are loaded in containers and delivered to ships to send overseas.

"Last year, we stored \$125 million worth of tobacco. We delivered 600 containers of tobacco to the port. For that delivery, we paid local truckers \$33,000. The truck lines that brought tobacco from inland processing plants were paid about \$28,000, and the railroad was paid \$160,000 to bring tobacco from Kentucky to Wilmington. If I didn't have these tobacco accounts, I'd have four people working for me instead of 14.

"Tobacco is so important to the port of Wilmington and businesses that thrive on it. My truck lines are

very dependent on me. Many would not be in a position to maintain their level of operation without tobacco."

Bill Stanfield, Owner
Cape Fear Bonded Warehouse
Wilmington, NC

A TRUCKING COMPANY EXEC. SPEAKS OUT...

"We are a small, privately owned trucking company in Wilson, North Carolina. We employ 91 people year-round, with a seasonal growth of approximately 50 additional employees.

"Tobacco hauling constitutes 26 percent of our gross revenue and, I must admit, since hauling necessitates specialized equipment and is seasonal in nature, the return per mile is considerably more than any other commodity we haul.



PHOTO: USDA

"Sixty to 70 families rely on the Forbes Transfer Company and the tobacco industry. It is fair to say, unequivocally, the economic well-being of Wilson is dependent on tobacco. We wouldn't be where we are if it weren't for tobacco."

Lance T. Forbes, Jr.
Forbes Transfer Company, Inc.
Wilson, NC

A STATE AGRICULTURE COMMISSIONER SAYS...

"Tobacco is a \$1.2 billion component of the Georgia economy. This includes farm receipts, payrolls and

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The federal government's tobacco price stabilization program, often incorrectly called a tobacco "subsidy" program, is one of the most misunderstood facets of the tobacco industry.

Anti-smoking advocates question policy under which, they say, one government department financially supports farmers to grow the leaf, while another discourages smoking the manufactured product.

The Tobacco Observer asked Fred G. Bond, Chief Executive Officer of the Flue-Cured Tobacco Cooperative Stabilization Corporation, to explain the tobacco program and clarify the government's involvement in the growing of tobacco.

■ **The Observer:** Critics argue that the federal government subsidizes farmers to grow tobacco. Is this the case?

□ **Bond:** Absolutely not. There is no tobacco subsidy, as many people believe, because with the 1982 tobacco crop, legislation was passed by Congress which eliminated any federal assistance to tobacco producers with regard to price supports.

The legislation required that growers repay with interest any funds borrowed from the Commodity Credit Corporation/United States Department of Agriculture (CCC/USDA) to operate a price support program for tobacco growers. In fact, the legislation required that growers be assessed an amount to guarantee the CCC/USDA that there would be no losses in the tobacco price support operations.

In 1986, legislation concerning price support operations was modified wherein the guarantee of no losses through assessments was equally divided between tobacco producers and buyers.

As a result of this Congressional legislation, there is *no assistance to tobacco growers*.

■ **The Observer:** Is this program unique to tobacco, or are there other commodities over which the U.S. government has some influence?

□ **Bond:** No other commodity operates under the federal statutes I've described. However, other groups do receive financial supports through Congressionally approved farm programs.

In my opinion, it is discriminatory that tobacco growers have been singled out to be denied financial program benefits enjoyed by other farm programs across the country.

■ **The Observer:** The tobacco program is often criticized because, it is said, the taxpayer is footing the bill.

TOBACCO FACTS

The Tobacco Industry Profile 1988 (TIP) is now available. TIP supplies important data, based on 1987 figures, on consumption, production, manufacturing and other facets of the tobacco industry.

For example, did you know...?

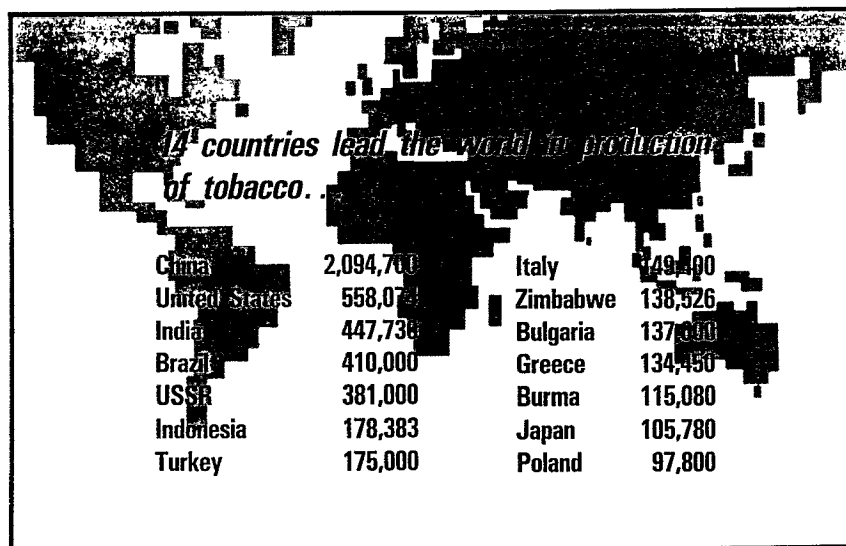
- Last year, Americans consumed...

575 billion cigarettes
2.7 billion large cigars and cigarillos
1,154 million little cigars
23.1 million pounds of pipe and roll-your-own tobacco
76.3 million pounds of chewing tobacco
45.1 million pounds of snuff



... and spent an estimated \$35.5 billion for these products.

- In fiscal year 1987, 689 billion cigarettes were produced in the 128 factories with federal permits to manufacture tobacco products.



- ...and the total world production is estimated at 6.5 million metric tons. In the United States alone, almost 602,000 acres of tobacco were harvested in 1987, for a total weight of 1.2 billion pounds.

Please contact The Tobacco Institute for your copy of *Tobacco Industry Profile 1988*, which demonstrates the importance of tobacco to the United States economy.

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If, in fact, taxpayers' money is involved, please explain how it is used.

☐ **Bond:** CCC, a federal lending agency within the USDA, is financed by taxpayers' dollars, which come directly from the Treasury's general fund. CCC, through the Congressional appropriations process, funds and supports various farm programs. We do have the right to borrow from this CCC fund, however, all borrowed money must, by statute, be repaid with interest. This rate of interest is set by CCC.

In other words, the tobacco price support program operates at *no net cost* to the government or taxpayers. We are the only commodity group in the United States operating under these conditions.

■ **The Observer:** For over half a century, the federal tobacco program

operated at a comparatively small loss of \$58 million. What is to prevent this figure from recurring in the coming years?

☐ **Bond:** The 1982 federal legislation guarantees there will never be another loss from this program. Even when we enjoyed the same financial support granted producers of other crops, tobacco's losses were minimal and substantially lower than any other group's.

■ **The Observer:** The support program keeps tobacco leaf prices higher and domestic tobacco supplies lower than they would be without it. Why?

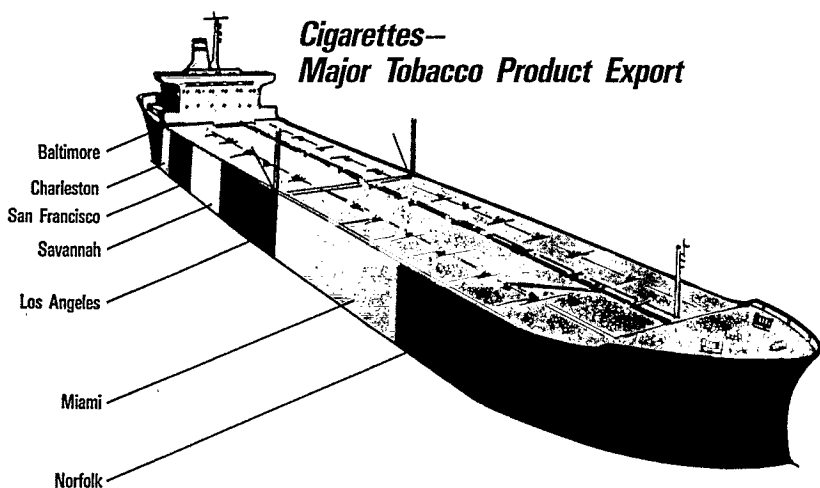
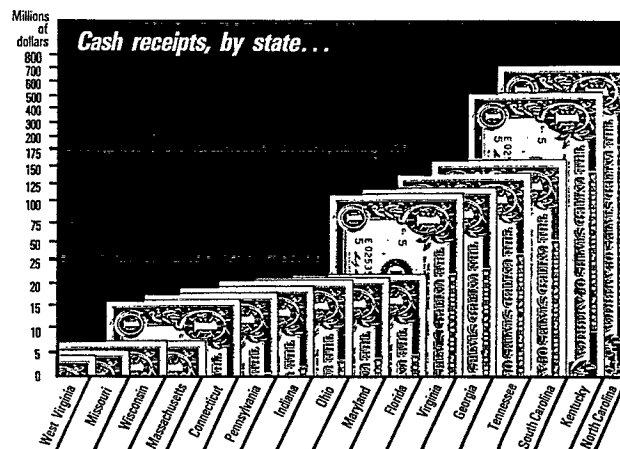
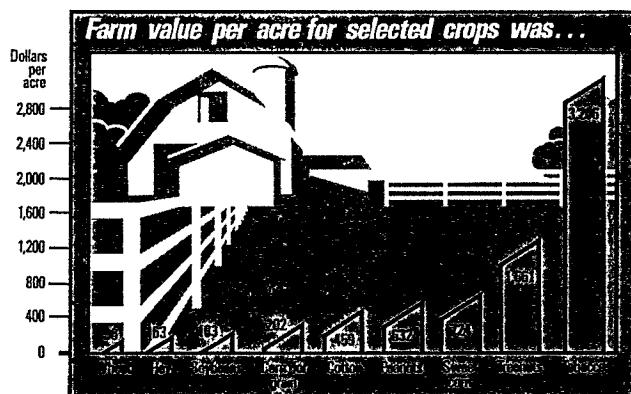
☐ **Bond:** The problem without the program is instability. There would be a year when tobacco prices are fairly good, then that brings on additional

production and supply, resulting in a soft market with lower prices the next year.

The price support program coupled with the marketing quota program provides for a stable marketing system. Stability is what makes for a good situation.

Because of the supply management program, tobacco has been a crop that has been most profitable in the Southeast. You would have erratic marketing patterns without it. The program also provides a dependable supply of tobacco to export customers.

Farmers are beginning to diversify, but there is no crop at this point that can replace tobacco from the income standpoint.



- Cigarettes accounted for more than 88 percent of the value of manufactured tobacco products exported. Major ports shipping cigarettes overseas...

	Units (billions)	Value (millions)
Norfolk	38.8	886.9
Miami	30.9	690.5
Los Angeles	19.3	297.8
Savannah	18.4	374.6
San Francisco	7.7	179.8
Charleston	5.8	124.9
Baltimore	4.3	102.7

- Federal, state, and local treasuries collected more than \$11.2 billion in excise and sales taxes on retail sales of tobacco products.

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employee benefits. In 1986, tobacco generated revenues of \$225 million for the State and Federal governments in taxes on products sold in Georgia. Another \$104 million in State and Federal income taxes were paid by individuals and corporations directly involved in tobacco.



"In 1986, tobacco ranked second to peanuts in cash farm receipts, bringing in more than \$110 million to 6,000 Georgia farmers in 52 counties....

"Fifty-nine thousand Georgians depend either directly or indirectly on the tobacco industry for their livelihood. Through the 52 tobacco-producing counties, the tobacco industry helps support a network of agribusiness, such as banks, equipment dealers, fertilizer, chemical and fuel suppliers, as well as furnishing work for thousands through on-the-farm jobs.

"There is absolutely no relation between the number of people smoking in other countries and the amount of tobacco being exported into these countries from the United States. What would happen if we decreased our exports is that other producing

countries would fill the void and supply the tobacco while our growers, processors and handlers would be denied access to these markets.

"High quality American tobacco contributes more than \$2 billion annually to the plus side of our nation's balance of trade,"

Thomas T. Irvin, Commissioner
Department of Agriculture
Atlanta, GA

FROM FACTORY WORKERS

"Production and maintenance people in the tobacco manufacturing industry are the highest paid industrial workers in the country today. Their salaries exceed those in the automobile, computer chip and other industries.

"In my area [Louisville, Kentucky], for example, the average hourly pay for tobacco workers is \$16.93, compared to the average wage in the city of \$13.59. At the Ford plant in Louisville, the average hourly wage is \$14.11; distillery wages average \$12.40 per hour; and at General Electric, the largest employer in this area, \$12 is the average salary per hour. So you can see, tobacco workers are very well paid and enjoy a high standard of living.

"Everybody in the community knows the impact tobacco manufacturing has on the economy in this city. There is a lot of effort on the part of community-minded people to assure that the industry remains in the community. It would be devastating if the tobacco industry were to remove itself from the economy here in Louisville."

Joe Masterson
International Vice President
Bakery, Confectionery & Tobacco
Workers International Union
Louisville, KY

MINNESOTA RETAILERS TELL US...

"Certainly tobacco affects our livelihood. If we lost those sales, then our business would suffer financially.

"A large percentage of sales in a convenience store is tobacco-related—approximately 30 percent of inside sales, excluding gasoline.

"Taxes on tobacco products always keep going up. That is passed on to the consumer; it affects their purchasing power."

Harold Schulte, Co-owner
Happy Dan Markets
Mankato, MN

"Aside from profitability, the sale of tobacco products constitutes approximately 20 percent of our total sales volume. It is a high traffic generator, that is, it brings customers back into the store. Typically, there are additional plus sales when cigarettes are purchased."

Derrell Deming
Marketing Director
Tom Thumb Food Markets
Hastings, MN

As a smoker, or as a nonsmoker who believes that the tobacco industry plays a vital role in the nation's economic well-being, take this opportunity to get involved.

The Tobacco Institute can provide information on the various components of the tobacco industry and a description of its role in the nation's history and culture. Detailed information on these subjects as well as many others is available from The Institute upon request, free of charge. Please contact us at:

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The *Observer* presents information and comment on public events of interest to the tobacco industry. It recognizes that there is diversity of opinion about tobacco use and that charges against tobacco are widely publicized while less attention is given to differing views, which are included in its columns. Its aim is to aid full, free and informed discussion in the public interest, in the conviction that the smoking and health controversy must be resolved by scientific research.

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